

(continued)

4. Property tax revenues cannot be transferred to another budgeted fund unless the proposed use of the funds is within, or directly related to, the purpose for which the taxes were originally raised. Therefore, only the district General Fund can receive tax revenue from another budgeted fund under the authority provided by section 3 of SB436.
5. Cash and budget authority may not be transferred from the general fund to any other fund of the district.
6. State payments to district non-budgeted funds for school lunch and driver education programs are not restricted by law and, under SB 436, may be transferred to another non-budgeted fund and used for another purpose at the discretion of the Trustees.
7. Cash may not be transferred from a district budgeted fund to a non-budgeted fund, and vice versa.
8. There is no limit on the amount of cash or budget authority that can be transferred from one fund to another, and no limit on the number of cash and budget transfers a district can make within the school year.
9. Cash transfers between non-budgeted funds are allowed only if the transfer complies with state and federal restrictions and conditions on the source of funds. All state and federal grants to schools are restricted and cannot be used for another purpose.
10. The provisions of SB 436 do not supercede the provisions of other laws that allow, disallow or restrict district transfers between funds. For example, 20-10-147 prohibits the transfer of cash out of a district's bus depreciation fund to another fund unless the district sells its bus fleet, and 20-9-512 allows districts to transfer cash from the general fund to the compensated absences fund.
11. Under current law (20-9-201), fund balances in obsolete funds that do not have cash or fund balance deficit must be transferred to a district's general fund.
12. Balances transferred to the general fund from obsolete funds are used to reduce the district's general fund BASE levy and, if the district is eligible, to reduce state guaranteed tax base aid payments to the district.
13. For the last two fiscal years, 127 school districts reported fund balances totaling \$854,570 in Tuition Funds that reported no expenditures for the same two-year period. Although current law requires obsolete funds to be deposited to the district general fund, these fund balances would not be transferred to the district general fund in this biennium.
14. In FY2002 and FY 2003, districts will transfer Tuition Fund balances totaling \$50,000 to another fund.
15. On average statewide, for every \$1 levied to fund district BASE budgets, the state provides \$1 in guaranteed tax base aid.

FISCAL IMPACT:

	<u>FY2002</u> <u>Difference</u>	<u>FY2003</u> <u>Difference</u>
<u>Expenditures:</u>		
Local Assistance	\$25,000	\$25,000
<u>Funding:</u>		
General Fund (01)	\$25,000	\$25,000
<u>Net Impact to Fund Balance (Revenue minus Expenditure):</u>		
General Fund (01)	(\$25,000)	(\$25,000)

(continued)

EFFECT ON COUNTY OR OTHER LOCAL REVENUES OR EXPENDITURES:

1. Cash balances that would otherwise be used to reduce local levies may instead be transferred to another budgeted fund and expended or held in reserves; as a result, district levies may be higher under SB 436.
2. Cash balances that could otherwise be used to reduce fees may be transferred to another non-budgeted fund and expended; as a result district school lunch and driver education fees may be higher under SB 436.
3. As a result of changes to 20-9-201, school district general fund costs and property taxes would increase approximately the same amount as the state general fund or \$25,000 per year.

TECHNICAL NOTES:

1. SB 436 allows districts to transfer budget authority to the general fund from another fund, which could allow a district to exceed its maximum general fund budget limitation for the current year.
2. Budget authority transferred to the general fund from another fund may increase the district's ensuing year budget limitation, and may also increase the amount of property taxes that can be levied in the ensuing year without voter approval. This will lead to more districts above the maximum general fund budget ("cap"), which will cause more disparity and less equalization among districts.